The final report was submitted in April, 1997 by the firm. At the instance of the Government and based on the recommendations of the consultants the bank has prepared a Three-year strategic Revival Plan (1997-98 to 1999-2000). A committee of Directors of the Board of Indian Bank has been formed to monitor the progress of implementation of the turn-around strategy by the consultant. The huge losses reflected by Indian Bank in 1995-96 were mainly on account of the necessity for making provisions including, *inter-alia,* additional provisions because of short provisioning in earlier years, increase in the yield to maturity rate and arrears of wages on account of retrospective revision of the wage structure.

Assessment Regarding Effect of Sanctions/ Cuts Following Nuclear Tests

1397. SHRI SHIV CHARAN SINGH:
SHRI JOYANTA ROY:
SHRI GOVINDRAM MIRI:

Will the Minister of FINANCE be pleased to state:

(a) whether Government have made a detailed assessment of the effects of various sanctions and cuts announced by the different foreign Governments in the wake of Indian's Nuclear Tests made on May 11 and 13, 1998;

(b) if so, the details thereof;

(c) whether Government have drawn up any plan envisaging various counter economic measures and if so, the details thereof; and

(d) if answer to (a) above is in the negative, the reasons therefor?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) and (b) It is perhaps a bit early to assess the full implications of the sanctions. However, sanctions with regard to foreign aid are expected, in most cases, to apply to new commitments, there would be only a marginal effect on the aid flows in the current year.

(c) nd (d) In conformity with the current policy of the Government, various measures have been initiated to encourage foreign direct investment and investment from NRIs/OCBs and FIIs. As per the announcement made in the Union Budget, 1998-99, Unit Trust of India is planning to launch a new India Millennium Scheme to invite subscription in dollars from the NRIs. State Bank of India is planning to launch a new Resurgent India Bond denominated in foreign currencies for subscription by NRIs. Investment by the FII debt funds in unlisted domestic debt securities has been proposed. The budget also proposed measures to accelerate processing and implementation of FDI.

Bad Debts of Nationalised Banks

1398. SHRI VEDPRAKASH P. GOYAL:
SHRIMATI MALTI SHARMA:

Will the Minister of FINANCE be pleased to state:

(a) the details of the bad debts of nationalised banks during the last three years ending with 31st December, 1997;

(b) the reasons for incurring losses due to bad debts;

(c) the steps taken by Government for (i) recovery of these losses and (ii) avoiding recurrence of such losses; and

(d) the action taken against the persons responsible for these losses?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI R. JANARTHANAM): (a) Based on the record on recovery, the assets of a bank are classified as performing assets or non-performing assets (NPA). NPAs of the nationalised banks for the last three years

as on 31st March of the years are given below:

As on 31st March of	Amount (Rs. crores)	Percentage to total advances
1995	25114.50	19.98
1996	28366.04	19.52
1997	29209.27	19.05

(Data is maintained financial year wise)

(b) A credit facility becomes NPA if interest/instalment remained unpaid for two quarters. All NPAs are not necessarily bad debts or losses. NPAs reflect mainly on the quality and health of the asset portfolio of the banks at the time of classifiction of assets. NPAs affect returns and viability of banks. For example, if a bank has an NPA of 20% it means that the bank is earning returns only on the remaining 80% of its assets portfolio. Secondly, the bank has to make provisions for non-performing assets depending on the period since when an asset has become non-performing and the availability of the security. Thirdly, banks having high NPAs have to considerably strengthen their debt recovery process and start more prudent deployment of funds. The profit of the bank is reduced to the extent provisions have to be made for NPAs.

(c) Some of the relatively weaker public sector banks have prepared strategic revival plans/action plans and detailed steps contemplated by them to improve performance. These steps include reduction of NPAs, arresting generation of fresh NPAs, reducing cost of deposits, closure/merger of loss making branches, recruitment limited to specialised cadres, technological upgradation, longer working hours, containment of allowances etc. Some of the steps taken by the Government for recovery of NPAs and avoiding recurrence of such NPAs are as under:

(i) All public sector banks have documents of loan recovery policy prepared and duly vetted by Board of Directors.

(ii) Banks have been advised to reduce their NPAs through negotiated settlements to ensure minimum recovery at minimum expenses. However, in this regard precaution is to be taken while arriving at compromising level which has also been laid down.

(iii) Recovery Cells have been set up at Head Office under a General Manager and branch wise targets have been set up by banks. Performance of branches in recovery is monitored by Head Office on monthly basis and Board of Directors are kept informed of the progress on quarterly basis.

(iv) Debt Recovery Tribunals at Calcutta, Delhi, Bangalore, Ahmedabad, Chennai, Guwahati, Jaipur, Patna and Jabalpur and Appellate Tribunal in Mumbai have been set up to assist speedy recoveries of banks dues.

(v) Compilation and circulation of list of defaulters/suit filed accounts of Rs. 1 crore and above to all banks and Financial Institutions.

(d) Top 300 NPAs of the public sector banks are reviewed by the respective Boards with special reference to the system prevailing in the bank and the Boards also look into the staff accountability aspect of these cases. Staff accountability is also looked into by the inspecting officers of RBI/bank at time of inspection.

Aid/Loan/Grants Received by the Country

1399. DR. JAGANNATH MISHRA: Will the Minister of FINANCE be pleased to state:

(a) the amount of external aid/loan/grant received by the country during the last three years and the amount spent in repayment of capital and interest during the same period year-wise; and

(b) the details of the direct foreign investment (actual) received during the same period in the country and the in-